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Poll Tax:

Mrs Thatcher's Greatest Blunder?

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ARTICLES

Mrs Thatcher's Greatest Blunder

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On the evening of Tuesday 12 March 1986 a small party was held at a

house in Kensington. Those present included some of the cleverest brains

in the country: Victor Rothschild, the scientist and banker who had once

directed the Think Tank; Oliver Letwin, a member of Mrs Thatcher's

policy unit; Sir Leonard Hoffmann, a high court judge; Christopher

Foster, a former LSE economics professor who ran Coopers and

Lybrand's public policy unit; and Kenneth Baker, the Secretary of State

for the Environment. The evening's host was probably as bright as any of

his guests: a fellow of All Souls who since his teens had been tipped as a

future Prime Minister, the then Minister of State for the Environment,

William Waldegrave.

For 18 months the assembled company - politicians, civil servants,

academics and outside advisers - had been grappling with one of the most

difficult problems in British politics. Now, as they enjoyed food prepared

by Caroline Waldegrave, managing director of the Prue Leith cookery

school, it was time to celebrate. Between them these men and women had

apparently succeeded where numerous previous enquiries had failed.

They had devised a new scheme to finance local government spending,

and to replace the long-despised domestic rating system. It was designed

to make local authorities more accountable to their voters, and more

responsible in their taxing and spending. Although fewof those present

considered themselves Thatcherites ideologically, most of them admired

the Prime Minister and were pleased to have found a solution she

wholeheartedly approved of. When Mrs Thatcher spoke of a radical

manifesto for the next election, Kenneth Baker told the gathering, their

work was what she was talking about. Privately, however, some of

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WilIiam Waldegrave's guests could not believe that the Conservatives

would ever carry out the scheme they had dreamed up.

The poll tax would soon be described by Mrs Thatcher as the 'flagship'

of her third term, but in retrospect it will probably go down as the iceberg

that sank her - her greatest blunder. Although disagreements over

Europe were the immediate cause of her downfall in the autumn of 1990,

it was theunpopularity of the poll tax or community charge which caused

somany Tory MPs to doubt whether Margaret Thatcher could pull off a

fourthelection victory. Indeed, in thechronicles of disastrous mistakes

made by British governments, the poll tax is one of the worst. What is so

remarkable is that so far only Mrs Thatcher herself seems to have been

blamed. The poll tax cost the Treasury billions in subsidies; it has caused

chaos in local government; it greatly damaged the Tories' election

prospects. The main proponents of the poll tax, who invented it well

before Mrs Thatcher gave her stamp of approval, managed to escape

unscathed. Indeed what is so remarkable is how easily several of them

have progressed to higher jobs in government.

For a complete account of how Mrs Thatcher and her party came to

adopt the poll tax we will have to wait until the public records become

available around 2015. Even then we may not get the full history. In

December 1990 BBC 'Panorama' began piecing together an interim

version of the story, attempting to trace the true origins of the poll tax,

and to ascertain exactly who deserves responsibility or blame. Eventually

our research was overtaken by the Gulf War, and it will never be used for

a 'Panorama' programme. But it isstill worth placing some of our work on

record.

Today many are understandably reluctant to talk about their role in the

affair. On the other hand, a few unrepentant souls are happy even to

exaggerate their contribution. Quite how the poll tax came to be adopted

between 1984 and 1986 is a fascinating tale, rich in irony and amusing

twists. Several intriguing questions have yet to be answered.

The story goes back to 1974when Edward Heath appointed Margaret

Thatcher as Shadow Environment Secretary following the Conservatives'

February election defeat. That spring saw high rate rises from councils

across the country, not because of the change of government, but, thanks

to high inflation, local government reorganisation and the the 1973rating

revaluation. The idea of abolishing the rates seemed an obvious vote-

winner, and Heath asked Thatcher to work on the idea and announce it as

Conservative policy in advance of the second election expected that

autumn. Ironically, Mrs Thatcher resisted the policy at first, but

outnumbered in the Shadow Cabinet, she eventually complied. Yet in the

rush to prepare for another round of polling, little thought was given to

any alternative. One idea was to transfer some local authority costs, such

as teachers' salaries, to central government. But when that August Mrs

Thatcher used a press conference and a political broadcast to launch the

new policy, the party spoke of introducing new taxes that were 'more

broadly based and related to people's ability to pay'.

By 1984, Mrs Thatcher's ten-year-old rates promise remained unful-

filled - and regular reminders from friend and foe only seemed to arouse

in her nagging feelings of guilt. 'Who will rid me of this turbulent tax?'

summed up the attitude in Downing Street. In opposition between 1974

and 1979 the party had sought a workable alternative, but failed. The

Conservatives' rejected the 1976 Layfield Report's idea of combining

rates with a local income tax, and the 1979 manifesto backtracked on the

1974 promise, saying tax cuts 'must take priority for the time being over

the abolition of the domestic rating system'. Then, back in power again,

enquiries by two successive Cabinet committees made no progress.

Michael Heseltine’s 1981 green paper, Alternatives to Domestic Rates;

suggested three options, including the poll tax, without supporting any of

them. Next a white paper, published in August 1983, said rates would

remain for the foreseeable future as the main source of local government

revenue, though it advocated limits on rate levels. A poll tax was again

briefly mentioned, but rejected. 'Without a rebate scheme', the document

warned, 'a poll tax would bear harshly on people with low incomes'."

These inconclusive Cabinet reviews came amidst the tortuous attempts

by the Conservatives to restrict council finances. With an economic policy

based on controls on government spending and borrowing, ministers felt

they could not ignore local government when it accounted for more than a

quarter of public expenditure. Year after year the government had

imposed more complicated controls. A new grant system had been

introduced in 1980, whereby local authorities were penalised if they spent

more than the individual spending targets the government thought

adequate.

But whilst the level of local authority spending met by central govern-

ment fell from 60 per cent to less than half during the first six years of the

Thatcher government, overall council spending as a proportion of GDP

actually increased. Facing tighter grants from Whitehall, councils had

turned to the only other significant revenue they had - domestic and

business rates. But these sources, too, were then restricted by govern-

ment. In 1982 councils were forbidden to demand supplementary rates

once an original rate had been set. And the 1984 Rates Act gave ministers

the power to 'ratecap', to limit the rates certain councils could levy.

What particularly concerned ministers was the disparity they saw

between taxation and representation, between those whopaid for coun-

cils' spending plans, and those who voted for them. 'Accountability' was

the key word that summed up ministers' concerns; indeed it was a

problem that had been identified in local government by the Layfield

committee back in 1976. Roughly half of council funds came direct in

grant from central government and half from rates. But of the rates

income only 40 per cent arrived from the pockets of ordinary voters -

around 50 per cent came from rates on business and public institutions,

and a further ten per cent from rate rebates. So, overall, voters only had

to meet about 20 per cent of council spending. On the other hand only

half of those entitled to vote for local authorities - the electorate - paid

rates, and because of the rebate system only a third of voters actually paid

them in full. Moreover, the turnout in local elections was generally low-

about a third - and when people did vote their choice was largely

determined by national factors.

Ministers were convinced that weak accountability tempted councils

down the path of excessive spending. Labour councillors, in particular,

were suspected of increasing rates in the knowledge that only a small

minority of their party's voters would have to pay them. Higher rates

were often the easiest option: reduced local services might offend many

more voters. The criticism was especially directed at Labour councils,

many of whom undoubtedly felt obliged to use council funds to boost

their local economies so as to compensate for general cuts in central

government spending. But the Conservatives' public assault on 'over-

spending' Labour authorities hid the embarrassing fact that Tory shire

councils were almost as big a problem too. Indeed, one official involved

in the invention of the poll tax privately blames it on Emily Blatch, the

then Conservative leader of Cambridgeshire Council who now, as Baro-

ness Blatch , is a junior minister at the DoE. Cambridgeshire had made

strenuous efforts to contain its budget, but ministers' spending targets

and penalties were based on figures for 1978-79 when Cambridgeshire's

budget happened to be unusually low - well below even the government's

own assessment of the county's needs. When the council's expenditure

later returned to more realistic levels, it was then penalised as an 'overspender' and suffered a big cut in grant. In 1984 Mrs Blatch's unhappy Conservative councillors had been forced to increase their rates by ten per cent, and they faced the prospect in later years of being rate-capped.

Yet, if anybody has to take responsibility for opening the rates debate again, and initiating the moves that led to the poll tax, it was the Environment Secretary who took over the problems of local government in June 1983, Patrick Jenkin. The following March Jenkin told Tory

activists that the search for analternative to the rates had been abandoned for that Parliament, butevents quickly forced him to change his mind: within months he had concluded the rating system could only last three or four more years. By the summer of 1984 Jenkin was under intense pressure, struggling for his political survival. He had endured a running battle over plans to abolish the GLC and other metropolitan county councils, and particular embarrassment when his paving bill to cancel the councils' elections due in 1985 was defeated in the Lords (although the measure was later reinstated). Then in July Jenkin was further damaged by his financial settlement with the Militant-dominated Liverpool Council. It had widely been interpreted as a victory for Liverpool and a climb-down by the government. The whole system of local authority finance seemed to be getting dangerously out of control.

Amid the local pressures to increase domestic rates, it is not surprising

that Patrick Jenkin faced several motions on the agenda of the 1984 Conservative conference, calling again for rates to be abolished. They posed an immediate problem for Jenkin, highly political, and acutely personal. If he was not to suffer further humiliation on top of the paving bill and Liverpool debacles, he had to placate Tory representatives. His fears showed that Conservative conferences are not just fan clubs for the party leadership; twice during the poll tax saga they forced crucial changes in government policy.

A month before the conference, on Sunday 2 September 1984, Patrick Jenkin travelled to Chequers desperate to find something to promise the Tory faithful.' Initially he suggested to Mrs Thatcher that the rates abolition motions be accepted. Then after lunch, as Jenkin, Nicholas Ridlcy , and one or two other Cabinet members joined the Prime Minister in the drawing room, the Environment Secretary suggested a new enquiry into the whole system of local government finance. Jenkin found that Mrs Thatcher was surprisingly sceptical about the idea. Although her 1974 commitment still troubled her, and she personally abhorred the rates, the Prime Minister, was apparently unconvinced that a third government enquiry would make any more progress than the previous two, and doubted whether other ministers would go along with it. Mrs Thatcher agreed, however, that Jenkin could submit an outline paper to Cabinet committee. Jcnkin was confident it would not be a waste of time; his

Deputy Secretary at the DoE in charge of local government, Terence

Hciscr , had assured him that despite previous failures, the department

could come up with some new ideas this time.

After three Cabinet committee meetings Jenkin got the pledge of a new

enquiry. what he needed to avoid humiliation in Brighton. Conservative

representatives were promised a new 'study' - the word had been

chosen carefully: Lord Whitelaw, chairman of one ofthe two previous

enquiries, had insisted they could not simply offer yet another 'review'.

But, of course, by the time the Tories came to leave Brighton, Jenkin's

pledge had been overshadowed by the horror of the IRA bomb attack on

the Grand Hotel.

To speed things up, the new study would largely be confined within the

Department of the Environment (DoE), with little reference to other

ministers or outside experts. Even though most of the crucial decisions

leading to the poll tax were taken during Patrick Jenkin's time in charge

of the DoE, after Brighton the Environment Secretary himself played

very little role in the process. Jenkin had more than enough to handle

trying to abolish the GLC and the metropolitan authorities, and the new

task was immediately delegated downwards. Kenneth Baker, the Mini-

ster of State for local government, was officially put in charge, but the

detailed day-to-day work was given to the DoE Parliamentary Under-

Secretary, William Waldegrave. More than any other minister, Waldegrave

was to be the brains behind the poll tax. Today, seven years later,

Waldegravc may have problems in his personal relations with John

Major, and over his handling of the health service, but what is astonishing

is how unscathed his career has been from the disaster his work proved to

be.

Waldcgravc had been among the big stars of the 1979 Parliamentary

intake, widely predicted to achieve the highest offices in the land. And the

new enquiry into local government finance was the biggest challenge

Waldegravc had faced since Mrs Thatcher made him a junior minister in

1981. Until now his career had been burdened with the problem of being a

Tory 'wet', and his association with Edward Heath. He had been Political

Secretary to the former Tory leader in the mid-1970s, having earlier

worked in the Think Tank (the Central Policy Review Staff), the body

Heath set up under Lord Rothschild to chew over difficult policy issues and

suggest new solutions. Yet, while Waldegrave belonged to a different wing

of the Tory party from Mrs Thatcher, like her, he was very willing

intellectually to consider radical ideas to tackle intractable problems. That

is what the Think Tank had been all about.

Victor Rothschild had believed the way to confront any difficult issue

was to put a group of brilliant minds onto it, to grill the outside experts, and

to think about it intensively. Then, once a solution had been found, it

should be skilfully presented to ministers in the most imaginative way

possible. Rothschild had operated on the basis that it was the Think Tank's

job to 'think the unthinkable'. Now Waldegrave was about to think the

unthinkable once again, assisted by two old Think Tank colleagues.

It was an obvious move that Waldegrave should ask his old boss and

friend, Victor Rothschild , to help the local government finance enquiry,

although he had no real experience in the area. It was a good move

politically, since Rothschild and Mrs Thatcher thought highly of each

other. When the Prime Minister formally invited him, the banker readily

agreed to help. keen perhaps to overcome lingering doubts and damage

to his reputation from allegations that he was the fifth man in the post-war

Soviet spy ring. But Rothschild insisted on including a close friend, Lenny

Hoffmann, a QC who had worked on the Royal Commission Rothschild

had chaired on gambling. Like Rothschild, Hoffmann had little know-

ledge of local government finance, but he brought a first-class mind to the

subject and legal expertise. Waldegrave also recruited Tom Wilson, an

economics professor from Glasgow University, whom he had known at

All Souls. and who had briefly advised the Changing Gear group of

wettish Tory MPs Waldegrave had convened in the early 1980s. Although

Wilson was an economist, he had no particular experience of local

government either. All three men were hired brains, employed to think

incisively, to master a highly complex problem, examine it afresh, and

conceive some brilliant solution.

But a fourth outsider Waldegrave approached, was an expert, and

ultimately his ideas proved to be the most influential. Christopher Foster

was one of those political animals, more common in America than

Britain, whose work straddled government, business and academic life.

A director of Coopers and Lybrand, Foster had served as a professor at

the LSE, and in the 19605 and 1970s had acted as an adviser to several

Labour ministers, including Barbara Castle and Anthony Crosland. He

was well known in Whitehall and DoE officials were familiar with

Foster's extensive writing on local government finance; in 1980, for

instance, he had published a book with Richard Jackman and Maurice

Pcrlman, Local Government Finance in a Unitary State.

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Significantly this

work had discussed the possibility of funding local government with a poll

tax. and though Foster recognised there were 'objections', it was the first

time the idea had been considered seriously in Britain since the reign of

Richard II. Equally important, Foster had also examined the accounta-

bility problem in local government,' and was keen to resolve the mis-

match between those who voted for local councils and those who paid for

their services. If anyone individual provided the intellectual backing for

the poll tax, and the idea that everybody should pay something for council

services, it was probably Foster. He did not propose it as a solution

particularly vehemently; it was simply that when the other options were

ruled out one by one, Foster would explain how a per capita tax was

perfectly workable.

Inside the Department of the Environment Waldegrave gathered a

small team of high-fliers. Nominally they were led by Terence Heiser, but

the detailed work was supervised by an assistant secretary, Anthony

Mayer, who also happened to have served in the Think Tank under Lord

Rothschild, though not at the same time as Waldegrave. Mayer was

assisted by three principals: Roger Bright, who was promoted to assistant

secretary during the course of the work; Jill Rutter, transfered to the DoE

on secondment from the Treasury; and David Lewis, an economist. Later

the group was bolstered by an under secretary, Peter Owen. They were a

relaxed team who worked well together at their difficult task, partly

because they were so few in number, and partly because of the intense

pressure and tight deadlines they were operating under. Occasionally,

late at night, Waldegrave and some of his officials might break for a game

of bridge - Mayer and Bright had long played the game together - or they

might nip out to a local wine bar for a bite to eat. Yet they understood the

political importance of what they were doing. There was a feeling that

previously the DoE had let Mrs Thatcher down: this time they had to

succeed. Initially those involved did not think they were looking for a way

to abolish the rates: many joined what was meant to be a wide-ranging

enquiry into local government finance believing the rates were quite a

good tax. They assumed rates would stay, but wanted to know if they

could be supported with some supplementary source of local revenue.

After two enquiries into the rates in the previous four years, the

possible means of raising local government finance were well covered in

the departmental files. They fell into four broad categories: a property

tax, a local income tax, a local sales tax, and a per capita charge or poll

tax. It quickly became obvious that each of the first three options:

property, sales and income taxes, was politically flawed. For each one of

them came up against major tenets of Thatcherite philosophy, and they

knew it was pointless to press a solution Mrs Thatcher was bound to

reject.

First, perhaps more than anything, the Prime Minister was a great

believer in people owning their own homes - any property tax was likely

to deter home-ownership, that partly explained her hostility to therating

system.

But second, the Conservatives under Mrs Thatcher were committed to

cutting income tax. Any income tax cuts the Chancellor might produce

could easily be negated if local income taxes allowed councils to add to

people's tax bills. There was also the problem that income tax is levied

according to an individual's place of work, yet many millions of people do

not live in the local authority they work in. This would not only make it

hard to administer, but it would not tackle the accountability problem.

And in any case the Inland Revenue insisted that it would be the mid-

1990s before their computers could handle the many local income tax

levels that would inevitably be involved.

People close to the former Prime Minister say her initial inclination,

influenced by American examples, was for local sales taxes. Sales taxes

are reasonably simple in large US states, but are more complicated in the

small areas covered by British local government. In Britain some council

areas had relatively few shops compared with others. And there would be

'cross-border shopping': people in Lambeth, for example, would simply

flock to shops with cheaper sales taxes in Wandsworth. Additionally,

local sales taxes would raise prices and so undermine a third important

tenet of Thatcherism - the fight against inflation, though of course rates

and poll taxes are inflationary too. Perhaps more important, because a

local sales tax would be imperceptible to the public, it too would do

nothing to improve accountability.

Gradually, Waldegrave and his team made progress by a simple

process of elimination. By January 1985 both local income tax and a local

sales tax had been ruled out; already the idea of some form of per capita

levy or poll tax was being considered more and more seriously. Initially it

was envisaged as a simple supplement to the rates, and a development of

the ratecapping process. It was suggested that if a council wanted to spend

above its government target it could only raise the money with an extra

flat-rate levy on each citizen. In theory this supplementary tax would

greatly assist accountability by being highly perceptible to the ordinary

voter, and by having a very wide base - indeed every adult within a

council's jurisdiction. Nobody appears to have had much enthusiasm for

the poll tax; it simply emerged as the option with fewest drawbacks.

Christopher Foster apparently told Waldegrave that, given the restric-

tions they were working under, the poll tax was probably what they were

looking for.

The first major Conservative politician to have advocated a poll tax was

Sir John Grugeon , the leader of Kent County Council, as early as

October 1981 at the annual conference of the Rating and Valuers

Association in Torquay. Grugeon had been among the experts advising

Mrs Thatcher at the time of her 1974 pledge to abolish the rates, and his

voice carried weight in the upper ranks of the Conservative Party,

although it was not until 1981 that he began lobbying for his new

replacement for the rates. 'A straight poll tax based on the electoral

register', Grugeon argued in Torquay, would 'be a very visible tax' and

improve local accountability. He repeated his arguments in a letter to the

Financial Times the following month, insisting 'that such a change is

imperative if local government is to survive'." When Patrick Jenkin

announced his new study three years later Grugeon sent him a copy of his

1981 speech. In advocating a rebate scheme toallow for people's ability to

pay, along with a 'nationally set business rate' Grugeon's ideas proved

remarkably close to what Jenkin's successors eventually implemented.

But it is difficult actually to establish much of a link between Grugeon and

what happened: hardly anybody working on the DoE study actually

seems to have been aware that he had made the suggestion.

The poll tax was after all an extremely simple idea, and it enjoyed

several advantages. First, it would not be 'buoyant': unlike a sales tax or

income tax, revenue would not rise automatically with inflation or

growth. Instead councils would have to make public decisions each year

to increase the poll tax figure. It was this aspect that most appealed to

Oliver Letwin and John Redwood, the two members of the Downing

Street Policy Unit who acted as go-betweens with the Waldegrave team

and the Prime Minister.

Second, as one distinct annual levy, people would be fully conscious

they were paying the poll tax. Income tax is usually deducted from one's

pay, and sales taxes disappear into prices, so few people have much idea

of the total income tax or VAT they pay. When voters wrote out poll tax

cheques or delivered cash sums to their local council, however, they

would quickly realise how much local services were costing. The idea was

that voters would keep a much closer eye on their local council's spending

policies, and vote accordingly. The hope was that the pressures on local

politicians would become so great that central government might no

longer have to restrict council finances with the complex system of grants,

targets and penalties.

Whilst Waldegrave and his team saw the perceptibility of the poll tax as

its great strength, in reality, of course, it proved to be its great weakness.

Ultimately, it was the very fact that voters knew exactly how much they

were paying in poll tax, and that people had to make a deliberate act to

pay it, that destroyed it.

At this point it is perhaps worth demolishing one of the great myths

about the poU tax. Its invention has often been attributed to the liber-

tarian think tank, the Adam Smith Institute [ASI], and Douglas Mason, a

former Conservative councillor and academic at St Andrew's University,

who has been responsible for the ASI's work on the subject. Left-wing

critics may like people to believe the poll tax was foisted on ministers by a

mysterious right-wing body, and the idea of an eccentric Scottish aca-

demic dreaming up government ideas makes good journalistic copy.

Above all, the Adam Smith Institute itself has been quick to take

responsibility for the poll tax; the more any think tank is thought to

influence government policy the more it will be listened to and will win

financial support.

The ASI traces its authorship of the poll tax to an article by the

Institute's president, Madsen Pirie, in the Daily Mail in October 1981,

though it was in fact ghost-written by Mason, The idea came up again in

the ASI's Omega Report published in August 1983. But the Institute's

main publication on the poll tax, Douglas Mason's pamphlet Revising the

Rating System, was not published until April 1985, six months after the

Waldegrave enquiry began.' Mason also drafted the pamphlet by the

backbench Tory MP, Michael Forsyth, The Case For A Poll Tax, published

the same month." By the time these documents came out, however, the

Thatcher government was well down the road to the poll tax. Nobody

involved in government work on the tax in 1984and 1985believes the ASI

had any influence at all. 'Never heard of him', says one of the leading

officials of Douglas Mason, though others were vaguely aware of his

ideas.

As 1984 turned into 1985 the DoE group had its minds focused on a

meeting scheduled for the last Sunday in March 1985, when their work

would be presented to Mrs Thatcher. Appropriately, the venue was to be

Chequers, where Patrick Jenkin had persuaded the Prime Minister to set

the ball rolling the summer before.

That winter, as the presentation to the Prime Minister loomed, the poll

tax made steady progress, and was soon elevated from being simply a

supplementary tax to the rates, to consideration as a full-scale replace-

ment. Three of the outside advisers became distinctly uncomfortable.

Whilst Christopher Foster explained how a poll tax might make councils

more accountable, Tom Wilson was adamantly opposed to it. Lenny

Hoffmann was unhappy with the idea too, and a few days before

Chequers distributed an eight-page report condemning a 'per capita tax'

as 'overtly regressive'; instead he suggested simply reforming the rating

system. Hoffmann's document was so well produced - properly typeset,

and printed inside a smart red cover - that an uninitiated outsider might

have mistaken it for an official government publication. The several

hunded pounds that must have been spent printing the report had been

paid not by Hoffmann himself, but his close ally Victor Rothschild,

who agreed with him that the poll tax was a bad thing. Throughout

his fascinating life Rothschild often projected an air of conspiracy, and

so it proved during the birth of the poll tax. Whilst prepared to fund

Hoffrnann's objections from his own ample pocket, he was not willing

to put his own name to the document and condemn the tax himself.

Indeed Hoffmann and Rothschild were so surreptitious in their objec-

tions that several important DoE officials never even saw their

pamphlet.

Rothschild has on occasion been credited with being the brains behind

the poll tax. Indeed just before his death in 1990 Rothschild confided to

his biographer Kenneth Rose his concern that Mrs Thatcher was going

round saying 'Victor devised the poll tax'. Rothschild told Rose that in

fact he had supported the idea of local income taxes, and was convinced

that the Inland Revenue could cope with this. But, as with so many

aspects of his career, Rothschild's role in the poll tax saga is mysterious

and intriguing.

Whilst Rothschild personally disliked the tax, it is not surprising Mrs

Thatcher should think he was behind it when he played such a full role in

actually persuading her it was the best option. The importance of good

presentation in selling new ideas to ministers was something Rothschild

had long stressed, and with the poll tax he rekindled the days when

members of the Central Policy Review Staff 'stood before Ministers with

screen, slides, and pointer, and took them through the cases that the

CPRS wanted to put across'." In preparation for Chequers he helped

organise another of his elaborate shows with projector and flip charts. On

the first Sunday of February 1985 ministers and officials went to the

Capitol Hotel near Harrod's for a dress rehearsal in front of Patrick

Jenkin. Later Waldegrave, Rothschild and Hoffmann went alone to the

Cabinet Office for another rehearsal before the Cabinet Secretary, Sir

Robert Armstrong. The discrepancy between the two different Roths-

childs can only be explained by considering him as a professional thinker

who felt he had been hired by Mrs Thatcher to come up with the kind of

solution she would like. Rothschild acted like a barrister defending his

client to the best of his abilities even though he was convinced of his guilt.

Indeed many of the Waldegrave team appear to have acted like consult-

ants employed to carry out a task they themselves were by no means

happy with.

By February 1985 the DoE work boiled down to two distinct options.

First was the simple idea of simply replacing the rates with a poll tax, but

second was the suggestion of introducing a poll tax that would be levied

alongside a modified property tax. Under the latter scheme each local

authority would divide its expenditure into that which was associated with

heads, such as education and social services, and that which was roughly

linked to the size of property, such as fire services. If the ratio was 70:30

for example, then the council's revenue would be levied 70 per cent from

the new poll tax and 30 per cent from the new property tax. The levels of

property tax would depend not on rateable values as in the past, but on

how many square feet each property contained. It would have been quite

a complicated system to administer, and not long before the Chequers

meeting William Waldegrave dropped the two-tax idea, with the backing

of Kenneth Baker.

William Waldegrave seemed convinced of the virtues of a simple poll

tax, and believed it should act as a full replacement for the rates. In planning

his presentation for the Chequers gathering, Patrick Jenkin suggested

to Waldegrave that he should rehearse very carefully his closing

words to Mrs Thatcher. 'And so Prime Minister', Waldegrave is reported

to have told the assembled ministers and officials that Sunday afternoon,

'by this means you will have fulfilled your long-standing promise to

abolish the rates'. His peroration seemed designed to make the utmost

impact on the woman haunted by her 1974 election pledge, a promise she

had opposed at the time but felt morally committed to ever since.

During March 1985, in the days immediately before Chequers the

outside political momentum to abolish domestic rates had become over-

whelming. And the greatest pressure was coming from Scotland, where

only a few days before the Sunday gathering, one of those present, Lord

White law , had been shaken by the reception he had received from party

activists at a Conservative dinner in Strathkelvin and Bearsden, a mar-

ginal seat. Whitelaw knew the party well: he was honorary president and

had been their local candidate back in 1950 and 1951. 'I've never had a

reception like that,' Whitelaw reportedly told fellow ministers on his

return, 'and they were all the best Conservatives.' It was one of the most

uncomfortable experiences of his political career.

What upset the Scots were the figures for the Scottish rating revalua-

tion, announced the previous month to take effect that April. Although

theoretically the overall effect of a rating revaluation was that increases in

some rates bills would be offset by decreases elsewhere, properties in

Conservative areas were the hardest hit and councils seemed to use the

revaluation to disguise overall increases in spending. The week of White-

law's visit to Scotland the Tories had lost a safe seat in a regional council

by-election in Ayr, the marginal constituency held by the Scottish Secre-

tary, George Younger. The Tories' electoral prospects in Scotland

looked grim, and a group of Scottish Tory MPs voiced their anxieties on a

visit to Mrs Thatcher. But she and her ministers were most shocked by the

traumatic effect on Willie Whitelaw: for as chairman of one of the two

previous enquiries into the rates he had been among those blocking

reform. Now he insisted the need for change was urgent.

Although Patrick Jenkin had played little part in his department's

enquiry, he too was very personally aware of the drastic effects of the

Scottish rates' revaluation. His family owned a boathouse on Macaskin

Island on Loch Craignish in the West of Scotland, and when they heard

that the rateable value had increased from £15 to £100 the Jenkins even

took legal advice.

Revaluations in Scotland were required by law every five years. South

of the border, where they were not compulsory, a revaluation had not

been carried out since 1973, but ministers knew that in fairness English

and Welsh revaluations, and the inevitable outcry, could not be delayed

indefinitely.

The upheaval in Scotland and the horrific thought of an even more

radical rates revaluation in England and Wales were foremost in mini-

sters' minds when they gathered at Chequers on 31 March 1985. Around

half the Cabinet was there: as well as Mrs Thatcher andPatrick Jenkin,

there were the Chancellor, Nigel Lawson; Lord Whitelaw; George

Younger; the Welsh Secretary, Nicholas Edwards; the Northern Ireland

Secretary, Douglas Hurd; Lord Young; and the Home Secretary, Leon

Brittan. Others present included the party chairman, John Gummer,

Michael Ancram from the Scottish Office, and, of course, Kenneth Baker

and William Waldegrave from the DoE. They were accompanied by

Terence Heiser, Anthony Mayer, Lord Rothschild and a DoE slide

projectionist. The presentation lasted five hours, interrupted by lunch.

The poll tax was formally presented to Mrs Thatcher only as the most

promising of several options for raising local authority revenue, and was

proposed amidst a long list of ideas to create a local government system

where people would vote for what they wanted to pay for. Some,such as

annual council elections and unitary authorities would soon be forgotten;

the idea of a uniform rate for businesses was eventually implemented with

little fuss. But, of all the items Waldegrave's team proposed, the poll tax

would have the most far-reaching consequences. It was that Sunday at

Chequers that the Prime Minister probably accepted the idea that helped

bring her down five years later.

The widely-held view that 'Margaret Thatcher imposed the poll tax

upon her party' is a gross over-simplification of the actual chain of

events.'" Although she had been kept fully aware of the work being

carried out by the Waldegrave team, she took 'a long time to be

convinced' says one adviser. Indeed the head of her No. 10Policy Unit,

John Redwood, was rather sceptical about it, but Oliver Letwin, the policy unit member responsible for local government, was extremely keen, and had kept chivvying the Prime Minister.

After Chequers the government was firmly set on one particular course, and Mrs Thatcher quickly became one of the most enthusiastic backers of the new tax. Aware that Mrs Thatcher was now backing the radical plans, Kenneth Baker quickly took more control of the work.

Like Waldegrave, Baker also needed to win the confidence of the Prime Minister and shake off the image of being a 'Heathite'. Indeed, Baker had served as Edward Heath's PPS in 1974, at the very time Waldegrave was serving as the Conservative leader's Political Secretary. Many who

worked with Baker in 1985 argue he was highly sceptical about the proposed poll tax, but they believe he had decided that if the wind was blowing in that direction, he had no option but to take charge, William Waldegrave, meanwhile, appeared rather upset at the way his work had suddenly been hijacked by his superior. 'He behaved just like a brat who's lost his ball', one official recalls, and seemed reluctant to devote so much energy to it.

Late one evening in May 1985 Baker and his officials were working high in an office in one of the towers of the Department of the Environment, preparing for a second presentation to a Cabinet committee. Suddenly they heard an loud explosion from the direction of Parliament, and rushed to the window fearing the worst. The party was somewhat relieved to find that the noise had come from a GLC firework display on

the South Bank to mark the fortieth anniversary of VE Day. 'Let's hope

this goes off with equally big a bang', remarked a grinning Kenneth

Baker.

But privately Baker had serious doubts, especially after seeing DoE

studies of the distributional effects. These showed how radically the less

well-off would suffer, along with many councils, predominantly in the

north, who had relatively low rates because hitherto they had been

subsidised by higher rate councils in the south. He insisted officials should

continue examining the alternatives, including various property taxes,

but ultimately their work was wasted. Instead, Baker decided that the

poll tax should go ahead, but be introduced over a long ten-year period.

Soon other anxieties were being expressed by ministers elsewhere in

government. The Home Secretary Leon Brittan raised the civil liberties

question of whether the poll tax register might deter people from voting.

It was partly to answer such concerns that the phrase 'poll tax' was

abandoned around this time in favour of 'resident's charge'. The word

'charge' was chosen to reflect the idea that people would be paying for a

bundle of council services, in much the same way as they might pay a

parking fee or buy a TV licence. But alongside fears about voting rights,

came much stronger objections, from the Treasury.

Throughout the summer of 1985, as environment ministers quickly

added flesh to their plans, the Chancellor Nigel Lawson attacked them in

meetings of the Cabinet committee, which Mrs Thatcher chaired herself.

In May Lawson submitted a paper arguing that the tax would be 'com-

pletely unworkable and politically catastrophic', that numerous exemp-

tions and concessions by Whitehall would be inevitable, and that local

councils would exploit the new tax to increase spending and then blame

the higher bills on central government. 11 The Treasury also feared that

poll tax rebates to help the less well-off would have to be based on

income, and so inevitably would deepen the already serious poverty trap

under which people on low incomes face high marginal rates of taxation.

The Treasury felt the rating system had been an extremely efficient way

of raising a lot of money, and Lawson argued for a revised property tax,

based not upon periodic revaluations of property, but largely on the price

at which people's homes had last been sold. This idea got some sympathy

from Kenneth Baker, but Mrs Thatcher said it was one of the worst ideas

she had ever heard. The DoE meanwhile sent Christopher Foster to try

and convince Nigel Lawson of the virtues of the poll tax. Foster accepted

the tax might be regressive, but suggested that Lawson himself could

offset this by increasing income tax rates on the better-off. The Chancel-

lor was not impressed and, of course, in the event he did the very

opposite, reducing the top rate of income tax from 60 per cent to 40 per

cent, which only compounded the impression that the government was

helping the rich.

Lawson has said he got no support in Cabinet committee apart from his

Chief Secretary, Peter Rees. Colleagues were concerned with their own

departmental interests, he says, and supported the Prime Minister outof

loyalty. Facing defeat, Lawson put hisweight into arguing for the longest

possible phasing-in period.

But several of Lawson's fellow ministers suggest the Chancellor's

opposition was far from wholehearted. 'Normally,' says one Cabinet

member, 'if the Treasury say "we are opposing this all the way Prime

Minister" then that's the end of it. They didn't do that.' He recalls the

Chancellor sitting there glum-faced at committee meetings 'as if he had

swallowed too much Christmas pudding', and was surprised at how quiet

Lawson was. The Treasury opposition was 'very muted', another col-

league adds, and 'never conducted with any great degree of thorough-

ness'. But Lawson had bigger battles to fight - over Europe.

Within the Department of Environment team there were also voices of

dissent. Although Lenny Hoffmann resigned on his appointment as a

high court judge in May 1985, Victor Rothschild continued his work. On

one occasion officials were invited to Rothschild's Bank for a working

session over canapes, and Rothschild himself quietly continued to con-

sider alternatives. When it was clear Mrs Thatcher would not buy a local

income tax, he suggested the poll tax should be banded according to

income, but that made no progress either. Professor Tom Wilson insisted

the resident's charge would be extremely unfair, and in August 1985 he

made a final attempt to get it scrapped: when that failed he stopped taking

any part in the study work. By the autumn of 1985 the momentum

towards the poll tax was unstoppable and now the two ministers most

closely involved both had more powerful jobs. Kenneth Baker had been

promoted to Secretary of State on the sacking of Patrick Jenkin in early

September, while William Waldegrave had taken Baker's place as Mini-

ster of State. On 23 September 1985 the Cabinet committee formally

approved the new tax, whose name had been changed again, from

'resident's charge' to 'community charge'. It is not clear who devised the

new name, possibly Mrs Thatcher herself, perhaps Kenneth Baker. It was

envisaged that once the charge was introduced in full the average level

would be in the region of £120 or £150, a level similar to people's annual

gas or electricity bills.

In Scotland, Conservative politicians did not see the problem of local

government finance so much as an intellectual challenge as a question of

political survival. Both the Secretary of State, George Younger, and his

deputy, Michael Ancram, who liaised with the London poll tax team,

held marginal seats. That September it was also agreed that the com-

munity charge would be introduced in Scotland a year earlier than in

England and Wales, and whereas south of the border it was envisaged

that the community charge would be levied alongside the rates for several

years, in Scotland the rates would be abolished at once.

The government's green paper, Paying for Local Government, was

ready by the end of 1985. 12 It proposed that the new community charge be

introduced in England and Wales over a period of up to ten years. 'People

will need time to adjust', it said. 'It is reasonable to expect domestic rates

to have been phased out completely within 10 years of the introduction of

the new system.' But it promised that 51 per cent of households would be

better off. The document was green in name and green in colour. But

effectively, since a white paper was never published, government policy

was pretty much decided.

The Cabinet approved the green paper on the morning of Thurday 9

January 1986. Remarkably it was the first time the full Cabinet ever

discussed the poll tax, although it had gone through committees involving

15or 16 ministers, three-quarters of the membership. Its passage through

Whitehall had been eased by the belief that it was still largely a Scottish

issue. But now, of course, it was far too late for any minister to object

seriously. The meeting that January morning was probably the most

historic Cabinet of all Mrs Thatcher's 11 years in office. It will be

remembered not for the poll tax endorsement, however, but for Michael

Heseltine’s dramatic resignation over the Westland affair.

The poll tax was the very next item on the agenda. Understandably it

got only brief consideration; discussion lasted no more than fifteen

minutes. and ministers' minds were somewhat diverted by the scenes they

had just witnessed. It was sheer coincidence, of course, that Michael

Heseltine should have resigned from the Cabinet just before it came to

consider the poll tax, but now he could rightly claim he had not been party

to its adoption having not served on the Cabinet committee either.

Westland was only the first of a series of major distractions which

prevented the poll tax getting the full discussion it deserved. For the

green paper was published on 28 January 1986, the day the space shuttle

Challenger blew up. Evening news bulletins that would normally have

given the new plans extensive analysis, barely gave them a mention.

And in the 1987general election campaign 16months later, the poll tax

was hardly mentioned either: one Cabinet member was 'staggered' how

Labour made so little of the issue. The opposition parties failed to see just

how unpopular a measure it would become. In Labour's case it was

deliberately avoided. Party officials feared that attacking the government

over the poll tax might expose Labour's own difficulties in local govern-

ment, and the activities of what critics called 'looney-Left councils'.

Labour also had the difficulty that, though the party also thought the

rates were far from ideal, it had no alternative tooffer.

Thepoll tax was a policy that emerged almost without trace. One of the

most disastrous measures in political history was adopted without a white

paper, with only 15 minutes' half-hearted discussion in Cabinet, with

barely a wordinthe media on the day it was announced, virtually no debate as a general election issue, and yet with full opposition from the Treasury.

But the fact that the poll tax not was an election issue in 1987, coupled with the euphoria of the Tories' third triumph, gave the party the belief that it could be implemented without difficulty. Within weeks of victory the new Environment Secretary, Nicholas Ridley, overcame Treasury opposition to cut the implementation period from ten years to four, but not even that was enough to satisfy some Tory enthusiasts. Ridley was able to speed up the timetable even further on the triumphalism of the 1987Conservative conference. Led by the former Aberdeen MP, Gerry Malone, speaker after speaker called for the poll tax to be brought in overnight south of the border, as was already planned for Scotland - the 'big bang' policy. Mrs Thatcher turned to Nicholas Ridley on the platform and suggested they should consider the timetable again. Within six weeks ministers had agreed that the poll tax should indeed replace the rates in one go in England and Wales, in April 1990.

Nicholas Ridley's decision meant that many of the original architects of the tax can rightly argue it was never implemented in the way they had envisaged - a line frequently taken by Kenneth Baker's friends, for instance. Aware of the problems it might cause, he had proposed that the poll tax should first supplement the rates, and only after ten years replace

them altogether. It is arguable, however, whether a new poll tax existing

side-by-side with the rates for many years, would have been any more

popular. Many Tory councils were not keen on the idea, and a ten-year

transition might only have prolonged the agony.

By the time of Mrs Thatcher's third term, the policy originally drawn

up by non-Thatcherites to please their mistress was firmly in the hands of

some of Mrs Thatcher's closest ideological allies - Nicholas Ridley and his

Minister of State, Michael Howard, men who argued for it much more

passionately. It was ironic perhaps that in 1984 the Prime Minister had

initially been sceptical about looking at reform again, and then in 1985,

she had taken some time to accept the poll tax. However, by the time it

was introduced in 1990, Margaret Thatcher was so firmly linked with the

measure that its unpopularity proved to be her undoing.

Meanwhile, most of those who helped devise the poll tax went on to

greater glory. Christopher Foster was knighted in 1986; Terence Heiser

got his knighthood the following year having been made DoE Permanent

Secretary in 1985; Peter Owen became a Deputy Secretary in the

Department; Anthony Mayer went to work for Lord Rothschild at his

bank before being appointed chief executive at the Housing Corporation

in 1991; Jill Rutter returned to the Treasury and served for a year as

private secretary to an up-and-coming Chief Secretary, John Major;

Roger Bright stayed in the DoE and was perhaps ideally qualified to take

charge of Michael Heseltine's enquiry into the poll tax in the winter of

1990--91; Oliver Letwin is the Conservative candidate for Hampstead and

Highgate, a marginal seat where his Labour opponent Glenda Jackson

has tried to make much political capital of his role in inventing the poll

tax. But the two ministers who actually devised and recommended the

poll tax, William Waldegrave and Kenneth Baker, suffered few

recriminations, and were both rewarded by Mrs Thatcher with prominent

jobs in Cabinet. Both men have had their political difficulties in the last

year - Waldegrave over the health reforms, and Baker over the Brixton

prison escape - but on the blunder these two former Heathites were most

responsible for" they somehow managed to escape almost unharmed.

NOTES

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2. Rates. Cmnd. 9008 (London HMSO, 1983).

:I. Nicholas Ridley's recent book, My Style of Government (London: Hutchinson, 1991),

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